



State of Utah

Department of Natural Resources

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Division of Oil, Gas & Mining

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Division Director

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Lieutenant Governor

October 26, 2004

CERTIFIED RETURN RECEIPT
7099 3400 0016 8896 0525

Mr. William Jacobson
Atlas Mining Company
P.O. Box 968
Osburn, Idaho 83849

Subject: Reclamation Bond Requirement, Atlas Mining Company, Dragon Mine,
S/023/080, Juab County, Utah

Dear Mr. Jacobson:

On October 1, 2004 we received a follow-up letter to our most recent inspection of your site and request that you provide us with a third party bond estimate for reclamation and clean-up of all structures and disturbance for the Dragon Mine site. The estimate was reviewed by our bonding specialist, Doug Jensen, and he determined that your \$8,700 bond estimate is not sufficient to reclaim the site as it exists, based on third party contractor costs. We realize that the building is new and in great shape and has great value, but the Division cannot entertain a salvage value for the building in exchange for reclamation of the site. Also, as long as the post mine land use is mining, the Division is required to request reclamation of all mining related structures based on the requirement of our rules.

We have attached a bond estimate, based on third party costs and escalated five years into the future. If you wish to discuss this estimate further, please contact Mr. Jensen at (801) 538-5382. Otherwise, please supply us with an acceptable form of surety (CD, Surety Bond, Letter of Credit) in the amount of \$24,900 and a Reclamation Contract within 30 days. Please contact Joelle Burns (801-538-5291) to obtain the correct forms or you may obtain the forms from our web site and print these forms for your immediate use. Our website address is <http://ogm.utah.gov/minerals/mineralsforms.htm>.

William Jacobson

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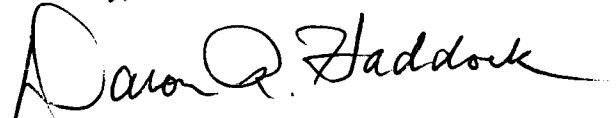
S/023/080

October 26, 2004

You asked that we provide you with direction on reclaiming areas on the western edges in order to keep your mine site below five acres. You can and should make inaccessible any disturbed areas which you are currently not using (by berming, ripping, or other means). We would not require that you revegetate these areas, as they are not conducive to growing vegetation and would not support vegetation.. We have not included these edges in our acreage estimate. Please be advised that if you wish to expand beyond five acres, (which would place you in a large mine category), you must first submit a large mining operation application, post adequate surety and receive written approval prior to creating any disturbance. Permitting a large mine requires significantly more paperwork and you should be aware of the regulatory liability. I hope this addresses your question regarding what to do with areas you are not using.

Any questions concerning this letter please contact myself or Tom Munson at 801-538-5321.

Sincerely,



Daron Haddock
Permit Supervisor
Minerals Regulatory Program

DRH:TM:jb

Attachment: Surety Bond estimate

O:\M023-Juab\S0230080-Dragon\final\reclamationbond.doc

RECLAMATION SURETY ESTIMATE						
Atlas Mining Company						
Dragon Mine			filenameS023-080.xls			
DOGM file Number S/023/080			Juab County			
Prepared by Utah State Division of Oil, Gas & Mining						
Site was previously disturbed therefore no revegetation will be required.						
Building at the site is estimated as 50X80X25 eave height.						
Debris removal includes a building foundation and concrete storage area.						
Skid loader to be used to backfill adit						
Note: actual unit costs may vary according to site conditions						
			last unit cost update		10/07/02	
-Amount of disturbed area which will receive reclamation treatments =					acres	
-Estimated total disturbed area for this mine =					acres	
Activity	Quantity	Units	\$/unit	\$	Note	
Safety gates, signs, etc (mtls & installation)	1	Sum	200	200		
Demolition of buildings & facilities	100000	cf	0.10	10000		
Concrete debris removal & burial	30	hours	150	4500		
Demolition & debris removal - general labor	40	hrs	30	1200		
Skid loader operator (backfilling adit)	40	hours	30.00	1200		
Equipment mobilization	1	equip	1000	1000		
Reclamation supervision -10% of reclamation estimate				1810		
		Subtotal		19910		
10% Contingency				1991		
		Subtotal		21901		
Escalate for 5 years at 2.59% per year				2987		
		Total		24888		
Rounded surety amount in year 2009 \$				24900		
Average cost per disturber acre =		#DIV/0!				